

The Development and Measurement of a Customer Satisfaction Index (E-CSI) in Electronic Banking: An Application to the Central Vietnam Region

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ABSTRACT

In the current technological age, once traditional means of delivering services to customers are losing its dominant position, the application of the Internet has evolved as an innovatively supporting alternative for attracting customers, especially in banking service. In that aspect, customers' perception of online banking service through the delivery of website quality (Webqual) remains the main concern for bank's managers in Vietnamese banking system because customers are easily inclined to another banking service provider due to their poor website-operated experience. Based on the evaluation of factors influencing on banking website quality, its relationship to customer satisfaction and retention, this article suggests the measurement of electronic Customer Satisfaction Index (e-CSI) of perceived banking website quality by three most developed banks of Vietinbank, Vietcombank and BIDV in central Vietnam, from which provides insights that may be useful for improving the quality of online banking service.

KEYWORDS

Customer Satisfaction, e-CSI, Online Banking Service, Retention, Webqual

INTRODUCTION

The availability and quality of the Internet and web applications have been significantly improved over the last few years, which creates opportunities for commercial banks to extend their customer and geographic base and acquire closer banker-customer networking relationships. In that respect, Internet banking delivered via a website is prominent in promoting a customer relationship. Cao *et al.*, (2005) state that competitive advantages and other benefits due to the implementation of web technology are obtained provided there is a quality and efficacious website.

Based on that premise, superior website service quality and efficacy serves as a connecting factor for gaining and sustaining customers through experiencing the services provided and gradually forming a sustainable relationship (Richardson & Thompson, 1997). Customer satisfaction indexes (CSI) from many countries are analyzed because they prove to be an indicator of business operational efficiency and market value (Anderson, Fornell & Rust, 1997).

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The Vietnamese banking system has experienced a significant switch to electronic service distribution channels and three of the most developed and pioneering banks of this type of service channel are Vietcombank, Vietinbank and Bank for Investment and Development of Vietnam (BIDV). The development of an electronic Customer Satisfaction Index (e-CSI) to measure the perception of electronic service quality is the core issue for these banks and others in this segment of the Vietnamese banking sector. Customers are easily displeased by the quality of specific services, especially services through an electronic channel, and tend to switch to a competitor bank effortlessly, which requires banks management to deal with the following issues: (1) identifying which factors affect customers' perception of website quality service; (2) comparing their own CSI with those of competitors and (3) prioritizing factors to improve customers' commitment.

In the context of the reform of the banking sector, prior to and following, accession of Vietnam to the WTO, the consequent direct entry of foreign banks, and the widespread introduction electronic banking services this research proposes an innovative electronic Customer Satisfaction Index (e-CSI) to be used as a reference for identifying the mode of customers' behavior in the field of online banking services. By comparing the set of three indexes of services offered by the leading banks through an Internet -based service channel, this study recommends some recommendations for service improvement and management initiatives.

THE RECENT DEVELOPMENT OF THE BANKING SECTOR IN VIETNAM

The past ten years have seen the introduction of products, techniques and systems that have transformed the banking sector. To analyse the customer satisfaction rating of Vietnamese banks' electronic banking services, it is necessary to put in context the evolution in the banking sector.

The transformation of the Vietnamese economy to a market economy commenced with reforms in the mid-1980s. The 'Doi Moi' reforms produced economic growth in the late 1980s and early 1990s. However, the banking reforms were limited, merely separating commercial banking from central banking, and as state-owned commercial banks emerged, they continued to be state managed.

The Government later considered that the banking sector should be completely reformed through the equitization of domestic banks and through direct investment by foreign banks. It considered that reforming the banking sector and allowing foreign banks to incorporate would lead to competition and thereby development of the banking sector.

The opportunity was WTO accession. Besides allowing some foreign banks that had been operating in Vietnam prior to WTO accession to incorporate there, following accession, the Government allocated five licenses to foreign banks to incorporate in Vietnam. The five foreign banks that were granted licenses are HSBC - United Kingdom, Standard Chartered Bank - United Kingdom, ANZ Bank - Australia, Shinhan Bank - South Korea, and Hong Leong Bank - Malaysia. These banks were obliged to modernise the banking sector, through products, technological processes and management development.

Therefore, the recent development of the banking sector in Vietnam is partly due to the reforms implemented prior to Vietnam's accession in 2007 to the WTO. However, the institutional reforms implemented on accession to the WTO were the catalysts for banking sector development and for an increase in the levels of monetization and financial deepening.¹

THE RECENT DEVELOPMENT OF ELECTRONIC BANKING IN VIETNAM

Jun and Cai (2001) define electronic banking (E-banking) as an electronic interconnection between financial service providers and customers through ranges of distribution channels including POS/ATM; online banking; mobile banking; and bank cards.

Essentially, the banking sector in Vietnam was relatively underdeveloped. In 2007, Vietnam had a population of 85 million and less than 10% of the population had a bank account and of the eight

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